

**EMMET COUNTY**  
INDEPENDENT AUDITORS' REPORTS  
BASIC FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION  
SCHEDULE OF FINDINGS  
JUNE 30, 2016

# EMMET COUNTY

## TABLE OF CONTENTS

	<u>Page</u>
Officials .....	1
Independent Auditors' Report .....	2 - 4
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Position .....	5
Statement of Activities .....	6
Governmental Fund Financial Statements:	
Balance Sheet .....	7
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of	
Net Position .....	8
Statement of Revenues, Expenditures and Changes in Fund Balances .....	9
Reconciliation of the Statement of Revenues, Expenditures and Changes in	
Fund Balances - Governmental Funds to the Statement of Activities .....	10
Proprietary Fund Financial Statements:	
Statement of Net Position .....	11
Statement of Revenues, Expenses and Changes in Fund Net Position .....	12
Statement of Cash Flows .....	13
Fiduciary Fund Financial Statement:	
Statement of Fiduciary Assets and Liabilities - Agency Funds .....	14
Notes to Financial Statements .....	15 - 33
Required Supplementary Information:	
Budgetary Comparison Schedule of Receipts, Disbursements and	
Changes in Balances - Budget and Actual (Cash Basis) - All	
Governmental Funds .....	34 - 35
Budgetary Comparison Schedule - Budget to GAAP Reconciliation .....	36
Notes to Required Supplementary Information - Budgetary Reporting .....	37
Schedule of the County's Proportionate Share of the Net Pension Liability .....	38
Schedule of County Contributions .....	39 - 40
Notes to Required Supplementary Information - Pension Liability .....	41
Schedule of Funding Progress for the Retiree Health Plan .....	42
	<u>Schedule</u>
Supplementary Information:	
Nonmajor Governmental Funds:	
Combining Balance Sheet .....	1      43 - 44
Combining Schedule of Revenues, Expenditures and Changes in	
Fund Balances .....	2      45 - 46
Agency Funds:	
Combining Schedule of Fiduciary Assets and Liabilities .....	3      47 - 49
Combining Schedule of Changes in Fiduciary Assets and Liabilities.....	4      50 - 52
Schedule of Revenues by Source and Expenditures by Function -	
All Governmental Funds .....	5      53 - 54
Independent Auditors' Report on Internal Control over Financial	
Reporting and on Compliance and Other Matters Based on an Audit	
of Financial Statements Performed in Accordance with	
<i>Government Auditing Standards</i> .....	55 - 56
Schedule of Findings .....	57 - 60

EMMET COUNTY

OFFICIALS

(Before January 2016)

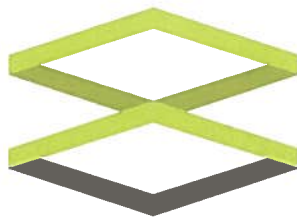
<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Jeff Quastad	Board of Supervisors	January 2019
John Pluth	Board of Supervisors	January 2019
Beverly Juhl	Board of Supervisors	January 2017
Alan Madden	Board of Supervisors	January 2017
Tim Schumacher	Board of Supervisors	January 2017
Michele Erickson <sup>1</sup>	County Auditor	January 2017
Amy M. Sathoff <sup>2</sup>	County Auditor	January 2017
Vickie Jurrens	County Treasurer	January 2019
Diann Minion	County Recorder	January 2019
Mike Martens	County Sheriff	January 2017
Doug Hansen	County Attorney	January 2019
Barb Bohm	County Assessor	January 2016

<sup>1</sup> Resigned April 15, 2015

<sup>2</sup> Elected June 9, 2015

(After January 2016)

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Jeff Quastad	Board of Supervisors	January 2019
John Pluth	Board of Supervisors	January 2019
Beverly Juhl	Board of Supervisors	January 2017
Alan Madden	Board of Supervisors	January 2017
Tim Schumacher	Board of Supervisors	January 2017
Amy M. Sathoff	County Auditor	January 2017
Vickie Jurrens	County Treasurer	January 2019
Diann Minion	County Recorder	January 2019
Mike Martens	County Sheriff	January 2017
Doug Hansen	County Attorney	January 2019
Barb Bohm	County Assessor	January 2022



WINTHER STAVE & CO | LLP<sup>TM</sup>  
Certified Public Accountants

1316 West 18th Street  
P.O. Box 175  
Spencer, Iowa 51301-0175  
Phone 712-262-3117  
FAX 712-262-3159

[www.winther-stave.com](http://www.winther-stave.com)

1004 21st Street #4  
P.O. Box 187  
Milford, Iowa 51351-0187  
Phone 712-338-2488  
FAX 712-338-2510

---

## INDEPENDENT AUDITORS' REPORT

To the Officials of Emmet County:

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Emmet County, Iowa, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the County's basic financial statements listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America. This includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditors' Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the County's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of Emmet County as of June 30, 2016, and the respective changes in financial position and, where applicable, its cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Other Matters**

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require the Budgetary Comparison Information, the Schedule of the County's Proportionate Share of the Net Pension Liability, the Schedule of County Contributions, and the Schedule of Funding Progress for the Retiree Health Plan on pages 34 through 42 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

The County has not presented management's discussion and analysis, which introduces the basic financial statements by presenting certain financial information as well as management's analytical insights on that information, that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the basic financial statements.

#### ***Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Emmet County's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the nine years ended June 30, 2015 (which are not presented herein) and expressed unmodified opinions on those financial statements. The supplementary information included in Schedules 1 through 5 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated November 23, 2016 on our consideration of Emmet County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Emmet County's internal control over financial reporting and compliance.

Winter, Stave & Co., LLP

November 23, 2016  
Spencer, Iowa

EMMET COUNTY  
STATEMENT OF NET POSITION  
JUNE 30, 2016

	Governmental Activities
<b>ASSETS</b>	
Cash and pooled investments .....	\$ 6,168,210
Receivables:	
Property tax:	
Succeeding year .....	4,669,232
Accounts .....	28,462
Accrued interest .....	1,567
Due from other governments .....	319,097
Inventories .....	252,995
Prepaid insurance .....	91,470
Capital assets - net of accumulated depreciation .....	14,368,775
<b>TOTAL ASSETS</b>	<u><b>25,899,808</b></u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Pension related deferred outflows .....	<u>794,506</u>
<b>TOTAL</b>	<u><b>\$26,694,314</b></u>
<b>LIABILITIES</b>	
Accounts payable .....	\$ 131,518
Salaries and benefits payable .....	27,516
Due to other governments .....	29
Long-term liabilities:	
Portion due or payable within one year:	
Loans and contracts payable .....	16,280
Compensated absences .....	245,589
Portion due or payable after one year:	
Loans and contracts payable .....	211,639
Net pension liability .....	1,852,920
Net OPEB liability .....	67,194
<b>TOTAL LIABILITIES</b>	<u><b>2,552,685</b></u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Unavailable property tax revenue .....	4,669,232
Pension related deferred inflows .....	<u>682,699</u>
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<u><b>5,351,931</b></u>
<b>NET POSITION</b>	
Net investment in capital assets .....	14,140,856
Restricted for:	
Supplemental levy purposes .....	312,876
Mental health purposes .....	257,307
Rural services .....	641,159
Secondary roads purposes .....	2,449,364
Other purposes .....	1,022,109
Unrestricted .....	<u>(33,973)</u>
<b>TOTAL NET POSITION</b>	<u><b>18,789,698</b></u>
<b>TOTAL</b>	<u><b>\$26,694,314</b></u>

EMMET COUNTY  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2016

		Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	
	<u>Expenses</u>				
FUNCTIONS/PROGRAMS:					
Governmental activities:					
Public safety and legal services .....	\$1,706,148				\$ (1,706,148)
Physical health and social services .....	752,193				(752,193)
Mental health .....	428,549				(428,549)
County environment and education .....	688,515				(688,515)
Roads and transportation .....	3,489,849		\$2,090,569	\$1,015,275	(384,005)
Governmental services to residents .....	415,701				(415,701)
Administration .....	<u>858,797</u>	<u>\$345,626</u>			<u>(513,171)</u>
TOTAL	<u>\$8,339,752</u>	<u>\$345,626</u>	<u>\$2,090,569</u>	<u>\$1,015,275</u>	<u>(4,888,282)</u>
GENERAL REVENUES:					
Property and other county tax levied for:					
General purposes .....					4,270,454
Local option sales tax .....					313,038
Interest and penalty on property tax .....					20,317
State tax credits .....					214,025
Grants and contributions not restricted to specific purposes .....					915,631
Unrestricted investment earnings .....					20,424
Miscellaneous .....					<u>695,749</u>
TOTAL GENERAL REVENUES					<u>6,449,638</u>
Change in net position .....					1,561,356
Net position - beginning of year .....					<u>17,228,342</u>
NET POSITION - END OF YEAR					<u>\$18,789,698</u>



EMMET COUNTY  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2016

ASSETS

	General	Special Revenue			Nonmajor	Total
		Mental Health	Rural Services	Secondary Roads		
Cash and pooled investments .....	\$1,437,633	\$283,456	\$ 619,267	\$2,662,503	\$ 994,769	\$ 5,997,628
Receivables:						
Property tax:						
Succeeding year .....	3,172,420	346,779	1,150,033			4,669,232
Accounts .....	28,353				109	28,462
Accrued interest .....	1,565				2	1,567
Due from other governments .....	85,083		27,228	179,557	27,229	319,097
Inventories .....				252,995		252,995
Prepaid insurance .....	48,917			42,553		91,470
 TOTAL ASSETS	 <u>\$4,773,971</u>	 <u>\$630,235</u>	 <u>\$1,796,528</u>	 <u>\$3,137,608</u>	 <u>\$1,022,109</u>	 <u>\$11,360,451</u>

LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES

LIABILITIES:						
Accounts payable .....	\$ 47,431	\$ 181	\$ 442	\$ 83,464		\$ 131,518
Salaries and benefits payable .....	11,991	340		15,185		27,516
Due to other governments .....		29				29
TOTAL LIABILITIES	<u>59,422</u>	<u>550</u>	<u>442</u>	<u>98,649</u>		<u>159,063</u>
DEFERRED INFLOWS OF RESOURCES:						
Unavailable revenues:						
Succeeding year property tax .....	<u>3,172,420</u>	<u>346,779</u>	<u>1,150,033</u>			<u>4,669,232</u>
FUND BALANCES:						
Nonspendable:						
Inventories .....				252,995		252,995
Prepaid insurance .....	48,917			42,553		91,470
Restricted for:						
Supplemental levy purposes .....	263,959					263,959
Mental health purposes .....		282,906				282,906
Rural services purposes .....			626,053			626,053
Secondary roads purposes .....				2,743,411		2,743,411
Conservation land acquisition/ capital improvements .....					\$ 14,974	14,974
Other purposes .....					986,006	986,006
Assigned for emergencies .....	20,000		20,000			40,000
Unassigned .....	<u>1,209,253</u>				<u>21,129</u>	<u>1,230,382</u>
TOTAL FUND BALANCES	<u>1,542,129</u>	<u>282,906</u>	<u>646,053</u>	<u>3,038,959</u>	<u>1,022,109</u>	<u>6,532,156</u>
 TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	 <u>\$4,773,971</u>	 <u>\$630,235</u>	 <u>\$1,796,528</u>	 <u>\$3,137,608</u>	 <u>\$1,022,109</u>	 <u>\$11,360,451</u>

EMMET COUNTY  
RECONCILIATION OF THE BALANCE SHEET -  
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION  
JUNE 30, 2016

Total governmental fund balances (page 7) .....	\$ 6,532,156
---	--------------

*Amounts reported for governmental activities in the Statement of Net Position are different because:*

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds. The cost of assets is \$24,739,282 and the accumulated depreciation is \$10,370,507. ....	14,368,775
--	------------

The Internal Service Fund is used by management to charge the costs of the County's health insurance benefit plan to individual funds. The assets and liabilities of the Internal Service Fund are included in governmental activities in the Statement of Net Position. ....	170,582
---	---------

Pension related deferred outflows of resources and deferred inflows of resources are not due and payable in the current year and, therefore, are not reported in the governmental fund, as follows:

Deferred outflows of resources .....	\$794,506	
Deferred inflows of resources .....	<u>(682,699)</u>	111,807

Long-term liabilities, including capital lease purchase agreements, loans and contracts payable, compensated absences payable, other post-employment benefits payable, and net pension liability are not due and payable in the current period and, therefore, are not reported in the governmental funds. ....	<u>(2,393,622)</u>
---	--------------------

NET POSITION OF GOVERNMENTAL ACTIVITIES (page 5)	<u>\$18,789,698</u>
--	---------------------

EMMET COUNTY,  
STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2016

		Special Revenue				
	General	Mental Health	Rural Services	Secondary Roads	Nonmajor	Total
REVENUES:						
Property and other county tax .....	\$2,857,453	\$346,129	\$1,066,872			\$4,270,454
Local option sales tax .....			156,519		\$ 156,519	313,038
Interest and penalty on property tax ..	20,317					20,317
Intergovernmental .....	768,959	43,981	53,956	\$2,340,463	12,866	3,220,225
Licenses and permits .....	7,600			5,895		13,495
Charges for service .....	340,439				1,287	341,726
Use of money and property .....	24,219				32	24,251
Miscellaneous .....	97,759	2,041		231,098	353,729	684,627
TOTAL REVENUES	<u>4,116,746</u>	<u>392,151</u>	<u>1,277,347</u>	<u>2,577,456</u>	<u>524,433</u>	<u>8,888,133</u>
EXPENDITURES:						
Operating:						
Public safety and legal services .....	1,608,834		145,085			1,753,919
Physical health and social services .....	777,386					777,386
Mental health .....		430,050				430,050
County environment and education .....	350,570		56,552		268,754	675,876
Roads and transportation .....			157,796	2,771,990		2,929,786
Governmental services to residents .....	438,073				3,972	442,045
Administration .....	962,840		118	2	37,633	1,000,593
Capital projects .....				20,296		20,296
Nonprogram .....					10,000	10,000
TOTAL EXPENDITURES	<u>4,137,703</u>	<u>430,050</u>	<u>359,551</u>	<u>2,792,288</u>	<u>320,359</u>	<u>8,039,951</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(20,957)</u>	<u>(37,899)</u>	<u>917,796</u>	<u>(214,832)</u>	<u>204,074</u>	<u>848,182</u>
OTHER FINANCING SOURCES (USES):						
Transfers in .....				985,013	6,350	991,363
Transfers out .....	(6,350)		(985,013)			(991,363)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(6,350)</u>		<u>(985,013)</u>	<u>985,013</u>	<u>6,350</u>	
CHANGE IN FUND BALANCES	(27,307)	(37,899)	(67,217)	770,181	210,424	848,182
FUND BALANCES - BEGINNING OF YEAR .....	<u>1,569,436</u>	<u>320,805</u>	<u>713,270</u>	<u>2,268,778</u>	<u>811,685</u>	<u>5,683,974</u>
FUND BALANCES - END OF YEAR	<u>\$1,542,129</u>	<u>\$282,906</u>	<u>\$ 646,053</u>	<u>\$3,038,959</u>	<u>\$1,022,109</u>	<u>\$6,532,156</u>

EMMET COUNTY  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES -  
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2016

Net change in fund balances - total governmental funds (page 9) ..... \$ 848,182

*Amounts reported for governmental activities in the Statement of Activities  
are different because:*

Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets. Depreciation expense and loss on disposition of capital assets exceeded capital outlay expenditures in the current year as follows:

Expenditures for capital assets .....	\$ 164,258	
Capital assets contributed by the Iowa Department of Transportation .....	1,015,275	
Loss on disposition of capital assets .....	(2,373)	
Depreciation expense .....	<u>(795,662)</u>	381,498

Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. For the current year, debt repayments exceeded debt issued as follows:

Issued .....		
Repaid .....	<u>183,144</u>	183,144

The current year County employer share of IPERS contributions are reported as expenditures in the governmental funds, but are reported as a deferred outflow of resources in the Statement of Net Position. ....	312,201
--	---------

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds, as follows:

Compensated absences .....	(57,177)	
Other post-employment benefits .....	(9,141)	
Pension expense .....	<u>(163,597)</u>	(229,915)

The Internal Service Fund is used by management to charge the costs of employee health benefits to individual funds. The change in net position of the Internal Service Fund is reported with governmental activities. ....	<u>66,246</u>
---	---------------

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES (page 6)	<u>\$1,561,356</u>
--	--------------------

EMMET COUNTY  
STATEMENT OF NET POSITION  
PROPRIETARY FUND  
JUNE 30, 2016

Internal Service

Health Insurance

ASSETS

Cash and pooled investments .....	<u>\$ 170,582</u>
-----------------------------------	-------------------

NET POSITION - UNRESTRICTED	<u>\$ 170,582</u>
-----------------------------	-------------------

EMMET COUNTY  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION  
PROPRIETARY FUND  
YEAR ENDED JUNE 30, 2016

	<u>Internal Service</u>
	<u>Health Insurance</u>
OPERATING REVENUES:	
Reimbursements from operating funds .....	\$ 695,184
Reimbursements from employees and others .....	<u>281,507</u>
TOTAL OPERATING REVENUES	<u>976,691</u>
OPERATING EXPENSES:	
Insurance premiums and fees .....	<u>910,518</u>
TOTAL OPERATING EXPENSES	<u>910,518</u>
OPERATING INCOME	66,173
NON-OPERATING REVENUES:	
Interest income .....	<u>73</u>
NET INCOME	66,246
NET POSITION - BEGINNING OF YEAR .....	<u>104,336</u>
NET POSITION - END OF YEAR	<u>\$ 170,582</u>

EMMET COUNTY  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUND  
YEAR ENDED JUNE 30, 2016

Internal Service

Health Insurance

CASH FLOWS FROM OPERATING ACTIVITIES:

Cash received from operating fund reimbursements .....	\$ 695,184
Cash received from employees and others .....	281,507
Cash payments for premiums, fees, and other .....	<u>(910,518)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>66,173</u>

CASH FLOWS FROM INVESTING ACTIVITIES:

Interest .....	<u>73</u>
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>73</u>

NET CHANGE IN CASH	66,246
--------------------	--------

CASH AT BEGINNING OF YEAR .....	<u>104,336</u>
---------------------------------	----------------

CASH AT END OF YEAR	<u>\$ 170,582</u>
---------------------	-------------------

RECONCILIATIONS OF OPERATING INCOME TO NET CASH  
PROVIDED BY OPERATING ACTIVITIES:

Operating income .....	\$ 66,173
Adjustments to reconcile operating income to net cash provided by operating activities:	
None .....	<u>          </u>

NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 66,173</u>
---	------------------

EMMET COUNTY  
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES  
AGENCY FUNDS  
JUNE 30, 2016

ASSETS

Cash and pooled investments:	
County Treasurer .....	\$ 981,918
Other County officials .....	33,060
Accounts receivable .....	24,829
Property tax receivable:	
Succeeding year .....	<u>11,934,249</u>
 TOTAL ASSETS	 <u>12,974,056</u>

LIABILITIES

Due to other governments .....	12,940,996
Trusts payable .....	<u>33,060</u>
 TOTAL LIABILITIES	 <u>12,974,056</u>

NET POSITION	<u>\$ -</u>
--------------	-------------



EMMET COUNTY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Emmet County is a political subdivision of the State of Iowa and operates under the Home Rule provisions of the Constitution of Iowa. The County operates under the Board of Supervisors form of government. Elections are on a partisan basis. Other elected officials operate independently with the Board of Supervisors. These officials are the Auditor, Treasurer, Recorder, Sheriff, and Attorney. The County provides numerous services to citizens, including law enforcement, health and social services, parks and cultural activities, planning and zoning, roadway construction and maintenance and general administrative services.

The County's financial statements are prepared in conformity with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB).

**Reporting Entity**

For financial reporting purposes, Emmet County has included all funds, organizations, agencies, boards, commissions and authorities. The County has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the County are such that exclusion would cause the County's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the County to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on, the County.

These financial statements present Emmet County (the primary government) and its component units. The component units discussed below are included in the County's reporting entity because of the significance of their operational or financial relationships with the County.

Blended Component Units - The following component units are entities which are legally separate from the County but are so intertwined with the County they are, in substance, the same as the County. They are reported as part of the County and blended into the appropriate funds.

One hundred sixty-five drainage districts have been established pursuant to Chapter 468 of the Code of Iowa for the drainage of surface waters from agricultural and other lands or the protection of such lands from overflow. Although these districts are legally separate from the County, they are controlled, managed and supervised by the Emmet County Board of Supervisors. The drainage districts are reported as a Special Revenue Fund. Financial information of the individual drainage districts can be obtained from the Emmet County Auditor's office.

EMMET COUNTY  
NOTES TO FINANCIAL STATEMENTS - Continued

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

Jointly Governed Organizations - The County also participates in several jointly governed organizations that provide goods or services to the citizenry of the County but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The County Board of Supervisors are members of or appoint representatives to the following boards and commissions: Emmet County Assessor's Conference Board, Emmet County Emergency Management Commission, Emmet County Joint E911 Service Board, and Emmet County Empowerment Board. Financial transactions of these organizations are included in the County's financial statements only to the extent of the County's fiduciary relationship with the organization and, as such, are reported in the Agency Funds of the County.

**Basis of Presentation**

Government-wide Financial Statements - The Statement of Net Position and the Statement of Activities report information on all of the nonfiduciary activities of the County and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are supported by property tax, intergovernmental revenues and other nonexchange transactions.

The Statement of Net Position presents the County's nonfiduciary assets, deferred outflows of resources, and liabilities, with the difference reported as net position. Net position is reported in the following categories:

*Net investment in capital assets* consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt attributable to the acquisition, construction, or improvement of those assets.

*Restricted net position* results when constraints placed on net position use are either externally imposed or imposed by law through constitutional provisions or enabling legislation. Enabling legislation did not result in any restricted net position.

*Unrestricted net position* consists of net position that does not meet the definition of the preceding categories. Unrestricted net position is often subject to constraints imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and (2) grants, contributions, and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental funds, a proprietary fund, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

EMMET COUNTY  
NOTES TO FINANCIAL STATEMENTS - Continued

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

**Basis of Presentation - Continued**

The County reports the following major governmental funds:

The General Fund is the general operating fund of the County. All general tax revenues and other revenues not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, the fixed charges, and the capital improvement costs not paid from other funds.

**Special Revenue:**

The Mental Health Fund is used to account for property tax and other revenues to be used to fund mental health, intellectual disabilities, and developmental disabilities services.

The Rural Services Fund is used to account for property tax and other revenues to provide services which are primarily intended to benefit those persons residing in the county outside of incorporated city areas.

The Secondary Roads Fund is used to account for the road use tax allocation from the State of Iowa, required transfers from the General and the Special Revenue, Rural Services Funds, and other revenues to be used for secondary road construction and maintenance.

Additionally, the County reports the following funds:

Proprietary Fund - An Internal Service Fund is utilized to account for the financing of goods or services purchased by one department of the County and provided to other departments or agencies on a cost-reimbursement basis.

Fiduciary Funds - Agency Funds are used to account for assets held by the County as an agent for individuals, private organizations, certain jointly governed organizations, other governmental units and/or other funds.

**Measurement Focus and Basis of Accounting**

The government-wide, proprietary fund, and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current year or soon enough thereafter to pay liabilities of the current year. For this purpose, the County considers revenues to be available if they are collected within 60 days after year end.

EMMET COUNTY  
NOTES TO FINANCIAL STATEMENTS - Continued

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

**Measurement Focus and Basis of Accounting - Continued**

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest are considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the County.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recorded as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the County funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net position available to finance the program. It is the County's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.

When an expenditures is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the County's policy is to pay the expenditure from restricted fund balance and then from less-restrictive classifications - committed, assigned, and then unassigned fund balances.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the County's Internal Service Fund are reimbursements from operating funds and employees. Operating expenses for the internal service fund include the cost of services and administrative expenses. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The County maintains its financial records on the cash basis. The financial statements of the County are prepared by making memorandum adjusting entries to the cash basis financial records.

**Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Fund Equity**

The following accounting policies are followed in preparing the financial statements:

Cash and Pooled Investments - The cash balances of most County funds are pooled and invested. Interest earned on investments is recorded in the General Fund, unless otherwise provided by law. Investment in the Iowa Public Agency Investment Trust is valued at amortized cost. Non-negotiable certificates of deposits are stated at cost.

For purposes of the statement of cash flows, the County considers as cash all currency on hand and demand deposits and certificates of deposit with banks or other financial institutions.

EMMET COUNTY  
NOTES TO FINANCIAL STATEMENTS - Continued

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

**Assets, Liabilities and Fund Equity - Continued**

Property Tax Receivable - Property tax in governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date the tax asking is certified by the County Board of Supervisors. Delinquent property taxes receivable representing unpaid taxes for the current and prior years are not considered material to the financial statements. The succeeding year property tax receivable represents taxes certified by the Board of Supervisors to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the Board of Supervisors is required to certify its budget in March of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds becomes due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments, is based on January 1, 2014 assessed property valuations, is for the tax accrual period July 1, 2015 through June 30, 2016, and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March 2015.

Due from Other Governments - Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories - Inventories are valued at cost using the first-in, first-out method. Inventories in the Special Revenue Funds consist of expendable supplies held for consumption. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Capital Assets - Capital assets, which include property, equipment and vehicles, and infrastructure assets acquired after July 1, 2003 (e.g. roads, bridges, curbs, gutters, sidewalks, and similar items which are immovable and of value only to the County), are reported in the governmental activities column in the government-wide Statement of Net Position. Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Reportable capital assets are defined by the County as assets with initial, individual costs in excess of the following thresholds and estimated useful lives in excess of two years.

EMMET COUNTY  
NOTES TO FINANCIAL STATEMENTS - Continued

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** - Continued

**Assets, Liabilities and Fund Equity** - Continued

Infrastructure	\$ 65,000
Land, buildings, and improvements	25,000
Equipment and vehicles	5,000

Capital assets of the County are depreciated using the straight-line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives (In Years)</u>
Buildings and improvements	25 - 50
Infrastructure	10 - 60
Equipment	3 - 20
Vehicles	5 - 15

Deferred Outflows of Resources - Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense/expenditure) until then. Deferred outflows of resources consist of unrecognized items not yet charged to pension expense and contributions from the employer after the measurement date but before the end of the employer's reporting period.

Due to Other Governments - Due to other governments represents taxes and other revenues collected by the County and payments for services which will be remitted to other governments.

Trusts Payable - Trusts payable represents amounts due to others which are held by various County officials in fiduciary capacities until the underlying legal matters are resolved.

Compensated Absences - County employees accumulate a limited amount of earned but unused vacation hours for subsequent use or for payment upon termination, death, or retirement. A liability is recorded when incurred in the government-wide, proprietary fund, and fiduciary fund financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees that have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2016. The compensated absences liability attributable to the governmental activities will be paid primarily by the General and the Special Revenue, Secondary Roads Funds.

County employees accumulate a limited amount of earned but unused sick leave. The employee does not receive any pay for unused sick leave upon termination of employment with the County. Since the amount of sick leave to be used is undeterminable, no liability has been accrued.

Long-term Liabilities - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities Statement of Net Position. In the government fund financial statements, the face amount of debt issued is reported as other financing sources.

EMMET COUNTY  
NOTES TO FINANCIAL STATEMENTS - Continued

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

**Assets, Liabilities and Fund Equity - Continued**

Pensions - For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Iowa Public Employees' Retirement System (IPERS) and additions to/deductions from IPERS' fiduciary net position have been determined on the same basis as they are reported by IPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Deferred Inflows of Resources - Deferred inflows of resources represents an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time. Available means collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources consist of property tax receivable and other receivables not collected within sixty days after year end.

Deferred inflows of resources in the Statement of Net Position consist of succeeding year property tax receivables that will not be recognized until the year for which it is levied and the unamortized portion of the net difference between projected and actual earnings on pension plan investments.

Fund Equity - In the governmental fund financial statements, fund balances are classified as follows:

*Nonspendable* - Amounts which cannot be spent because they are in a nonspendable form or because they are legally or contractually required to be maintained intact.

*Restricted* - Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws, or are imposed by law through constitutional provisions or enabling legislation.

*Committed* - Amounts which can be used only for specific purposes pursuant to constraints formally imposed by the Board of Supervisors through ordinance or resolution approved prior to year end. Committed amounts cannot be used for any other purpose unless the Board of Supervisors removes or changes the specified use by taking the same action it employed to commit those amounts.

*Assigned* - Amounts the Board of Supervisors intend to use for specific purposes. The County has specified that \$20,000 of both General Fund and Rural Services Fund balances will be used for emergencies.

*Unassigned* - All amounts not included in the preceding classifications.

Net Position - The net position of the Internal Service, Health Insurance Fund is designated for anticipated future health insurance costs of the County.

EMMET COUNTY  
NOTES TO FINANCIAL STATEMENTS - Continued

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

**Budgets and Budgetary Accounting**

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2016, disbursements exceeded the amount budgeted in the non-program function.

**Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Management's Review**

The County has evaluated subsequent events through the date of the independent auditors' report, which is the date the financial statements were available to be issued.

**2. CASH AND POOLED INVESTMENTS**

The County's deposits in banks at June 30, 2016 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The County is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Supervisors; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The County had investments in the Iowa Public Agency Investment Trust (IPAIT) which are valued at an amortized cost of \$7,022 pursuant to Rule 2a-7 under the Investment Company Act of 1940. The investment in IPAIT is unrated.

Interest Rate Risk - The County's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) to instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days, but the maturities shall be consistent with the needs and use of the County.

Concentration of Credit Risk - The County places a five percent limit on the amount that may be invested in any one issuer of prime bankers acceptances, commercial paper, or other short-term corporate debt.



EMMET COUNTY  
NOTES TO FINANCIAL STATEMENTS - Continued

**3. INTERFUND TRANSFERS**

The detail of interfund transfers for the year ended June 30, 2016 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Special Revenue:	Special Revenue:	
Secondary Roads	Rural Services	\$985,013
Conservation Land Acquisition Trust	General	6,350

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

**4. CAPITAL ASSETS**

Capital assets activity for the year ended June 30, 2016 was as follows:

	<u>Balance Beginning of Year</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance End of Year</u>
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land .....	\$ 156,869			\$ 156,869
Total capital assets not being depreciated	<u>156,869</u>			<u>156,869</u>
Capital assets being depreciated:				
Buildings .....	2,949,509	\$ 44,549		2,994,058
Machinery and equipment .....	6,848,632	416,775	\$(349,777)	6,915,630
Infrastructure, road network .....	13,058,236	718,209		13,776,445
Other .....	896,280			896,280
Total capital assets being depreciated	<u>23,752,657</u>	<u>1,179,533</u>	<u>(349,777)</u>	<u>24,582,413</u>
Less accumulated depreciation for:				
Buildings .....	1,839,274	75,945		1,915,219
Machinery and equipment .....	5,704,841	367,254	(347,404)	5,724,691
Infrastructure, road network .....	1,723,165	335,434		2,058,599
Other .....	654,969	17,029		671,998
Total accumulated depreciation	<u>9,922,249</u>	<u>795,662</u>	<u>(347,404)</u>	<u>10,370,507</u>
Total capital assets being depreciated - net	<u>13,830,408</u>	<u>383,871</u>	<u>(2,373)</u>	<u>14,211,906</u>
Governmental activities capital assets - net	<u>\$13,987,277</u>	<u>\$ 383,871</u>	<u>\$ (2,373)</u>	<u>\$14,368,775</u>

Depreciation expense was charged to the following functions:

<b>Governmental activities:</b>	
Public safety and legal services .....	\$ 43,702
Mental health .....	1,044
County environment and education .....	35,415
Roads and transportation .....	643,522
Administration .....	<u>71,979</u>
Total depreciation expense - governmental activities	<u>\$ 795,662</u>

EMMET COUNTY  
NOTES TO FINANCIAL STATEMENTS - Continued

**5. DUE TO OTHER GOVERNMENTS**

The County purchases services from other governmental units and also acts as a fee and tax collection agent for various governmental units. Tax collections are remitted to those governments in the month following collection. A summary of amounts due other governments is as follows:

<u>Fund</u>	<u>Description</u>	<u>Amount</u>
Special Revenue:		
Mental Health	Services	\$ 29
TOTAL FOR GOVERNMENTAL FUNDS		<u>\$ 29</u>
Agency:		
Agricultural Extension Education	Collections	\$ 163,375
County Assessor	Collections	471,314
Schools	Collections	7,679,552
Community Colleges	Collections	524,796
Corporations	Collections	3,121,955
Townships and Fire Districts	Collections	215,239
Auto License and Use Tax	Collections	257,429
E-911 Surcharge	Collections	365,789
All others	Collections	<u>141,547</u>
TOTAL FOR AGENCY FUNDS		<u>\$12,940,996</u>

**6. LONG-TERM LIABILITIES**

A summary of changes in long-term liabilities for the year ended June 30, 2016 is as follows:

	<u>Loans and Contracts Payable</u>	<u>Capital Lease Purchase Agreements</u>	<u>Net Compensated Absences</u>	<u>Net Pension Liability</u>	<u>Net OPEB Liability</u>	<u>Total</u>
Balance - beginning of year ...	\$244,199	\$166,864	\$188,412	\$1,453,024	\$ 58,053	\$2,110,552
Increases .....			57,177	399,896	9,141	466,214
Decreases .....	<u>(16,280)</u>	<u>(166,864)</u>				<u>(183,144)</u>
Balance - end of year	<u>\$227,919</u>	<u>\$</u>	<u>\$245,589</u>	<u>\$1,852,920</u>	<u>\$ 67,194</u>	<u>\$2,393,622</u>
Due within one year	<u>\$ 16,280</u>	<u>\$</u>	<u>\$245,589</u>	<u>\$</u>	<u>\$</u>	<u>\$ 261,869</u>

EMMET COUNTY  
NOTES TO FINANCIAL STATEMENTS - Continued

**6. LONG-TERM LIABILITIES - Continued**

**Capital Lease Purchase Agreements**

The County paid the remaining obligations under a capital lease purchase agreement to lease a Caterpillar Excavator with a historical cost of \$278,250. Payments under capital lease purchase agreements for the year ended June 30, 2016 totaled \$166,864.

**Loans and Contracts Payable**

The County has a non-interest bearing contract for \$325,599 for the purchase of gravel and mineral rights. Required annual payments are \$16,280 per year through August 2029. The outstanding contract balance at June 30, 2016 was \$227,919.

Maturities required as of June 30, 2016 are as follows:

2017 .....	\$ 16,280
2018 .....	16,280
2019 .....	16,280
2020 .....	16,280
2021 .....	16,280
2022 - 2026 .....	81,400
2027 - 2030 .....	<u>65,119</u>
Total	<u>\$227,919</u>

**7. PENSION PLAN**

Plan Description - IPERS membership is mandatory for employees of the County, except for those covered by another retirement system. Employees of the County are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by Iowa Public Employees' Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at 7401 Register Drive, PO Box 9117, Des Moines, IA 50306-9117 or at [www.ipers.org](http://www.ipers.org).

IPERS benefits are established under Iowa Code chapter 97B and the administrative rules thereunder. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general information purposes only. Refer to the plan documents for more information.

EMMET COUNTY  
NOTES TO FINANCIAL STATEMENTS - Continued

**7. PENSION PLAN - Continued**

Pension Benefits - A Regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, any time after reaching age 62 with 20 or more years of covered employment, or when the member's years of service plus the member's age at the last birthday equals or exceeds 88, whichever comes first. These qualifications must be met on the member's first month of entitlement to benefits. Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a Regular member's monthly IPERS benefit includes:

- A multiplier based on years of service.
- The member's highest five-year average salary, except members with service before June 30, 2012 will use the highest three-year average salary as of that date if it is greater than the highest five-year average salary.

Sheriffs, deputies, and protection occupation members may retire at normal retirement age, which is generally age 55. Sheriffs, deputies, and protection occupation members may retire any time after reaching age 50 with 22 or more years of covered employment.

The formula used to calculate a sheriff's, deputy's, or protection occupation member's monthly IPERS benefit includes:

- 60% of average salary after completion of 22 years of service, plus an additional 1.5% of average salary for more than 22 years of service but not more than 30 years of service.
- The member's highest three-year average salary.

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early-retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25% for each month the member receives benefits before the member's earliest normal retirement age. For service earned on or after July 1, 2012, the reduction is 0.50% for each month the member receives benefits before age 65.

Generally, once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of the member's lifetime. However, to combat the effects of inflation, retirees who began receiving benefits prior to July 1990 receive a guaranteed dividend with their regular November benefit payments.

Disability and Death Benefits - A vested member who is awarded federal Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the member's beneficiary will receive a lifetime annuity or a lump-sum payment equal to the present actuarial value of the member's accrued benefit or calculated with a set formula, whichever is greater. When a member dies after retirement, death benefits depend on the benefit option the member selected at retirement.

EMMET COUNTY  
NOTES TO FINANCIAL STATEMENTS - Continued

**7. PENSION PLAN - Continued**

Contributions - Contribution rates are established by IPERS following the annual actuarial valuation, which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. State statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires the actuarial contribution rate be determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll, based on the Actuarial Amortization Method adopted by the Investment Board.

In fiscal year 2016, pursuant to the required rate, Regular members contributed 5.95% of covered payroll and the County contributed 8.93% of covered payroll, for a total rate of 14.88%. The sheriff, deputies, and the County each contributed 9.88% of covered payroll, for a total rate of 19.76%. Protection occupation members contributed 6.56% of covered payroll and the County contributed 9.84% of covered payroll, for a total rate of 16.40%.

The County's total contributions to IPERS for the year ended June 30, 2016 totaled \$312,201.

Net Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2016, the County reported a liability of \$1,852,920 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The County's proportion of the net pension liability was based on the County's share of contributions to IPERS relative to the contributions of all IPERS participating employers. At June 30, 2015, the County's collective proportion was .0375048% which was an increase of .000867% from its proportion measured as of June 30, 2014.

For the year ended June 30, 2016, the County recognized pension expense of \$148,604. At June 30, 2016, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience .....	\$ 27,879	\$ 21,687
Changes of assumptions .....	50,804	15,120
Net difference between projected and actual earnings on IPERS' investments .....	386,639	597,044
Changes in proportion and differences between County contributions and the County's proportionate share of contributions .....	16,983	48,848
County contributions subsequent to the measurement date ..	<u>312,201</u>	<u>          </u>
 TOTAL	 <u>\$794,506</u>	 <u>\$682,699</u>

EMMET COUNTY  
NOTES TO FINANCIAL STATEMENTS - Continued

**7. PENSION PLAN - Continued**

Net Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and  
Deferred Inflows of Resources Related to Pensions - Continued

\$312,201 reported as deferred outflows of resources related to pensions resulting from the County contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended</u> <u>June 30,</u>	<u>Total</u>
2017 .....	\$ (96,995)
2018 .....	(96,995)
2019 .....	(96,995)
2020 .....	92,597
2021 .....	<u>(2,006)</u>
	<u>\$ (200,394)</u>

There were no non-employer contributing entities at IPERS.

Actuarial Assumptions - The total pension liability in the June 30, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement as follows:

Rate of inflation (effective June 30, 2014)	3.00% per annum.
Rates of salary increase (effective June 30, 2010)	4.00 to 17.00%, average, including inflation. Rates vary by membership group.
Long-term investment rate of return (effective June 30, 1996)	7.50%, compounded annually, net of investment expense, including inflation.
Wage Growth (effective June 30, 1990)	4.00% per annum, based on 3.00% inflation and 1.00% real wage inflation.

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of actuarial experience studies with dates corresponding to those listed above.

Mortality rates were based on the RP-2000 Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA.

EMMET COUNTY  
NOTES TO FINANCIAL STATEMENTS - Continued

**7. PENSION PLAN - Continued**

Actuarial Assumptions - Continued - The long-term expected rate of return on IPERS' investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Core plus fixed income	28%	2.04%
Domestic equity	24	6.29
International equity	16	6.75
Private equity/debt	11	11.32
Real estate	8	3.48
Credit opportunities	5	3.63
U.S. TIPS	5	1.91
Other real assets	2	6.24
Cash	<u>1</u>	(0.71)
Total	<u>100%</u>	

Discount Rate - The discount rate used to measure the total pension liability was 7.5%. The projection of cash flows used to determine the discount rate assumed employee contributions will be made at the contractually required rate and contributions from the County will be made at contractually required rates, actuarially determined. Based on those assumptions, IPERS' fiduciary net position was projected to be available to make all projected future benefit payments to current active and inactive employees. Therefore, the long-term expected rate of return on IPERS' investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the County's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following presents the County's proportionate share of the net pension liability calculated using the discount rate of 7.5%, as well as what the County's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1% lower (6.5%) or 1% higher (8.5%) than the current rate.

	1% Decrease <u>(6.5%)</u>	Discount Rate <u>(7.5%)</u>	1% Increase <u>(8.5%)</u>
County's proportionate share of the net pension liability	\$3,743,127	\$1,852,920	\$ 259,153

Pension Plan Fiduciary Net Position - Detailed information about the IPERS' fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS' website at [www.ipers.org](http://www.ipers.org).

EMMET COUNTY  
NOTES TO FINANCIAL STATEMENTS - Continued

**7. PENSION PLAN - Continued**

Payables to IPERS - All legally required County contributions and legally required employee contributions which had been withheld from employee wages were remitted by the County to IPERS by June 30, 2016.

**8. OTHER POST-EMPLOYMENT BENEFITS (OPEB)**

**Plan Description**

The County operates a single-employer health benefit plan which provides medical/prescription drug benefits for all full-time active and retired employees and their eligible dependents. There are 70 active members and 5 retired members in the plan. Eligible retirees receive health care coverage through the same plan that is available to active employees. Eligible retirees must be age 55 or older at retirement. Benefits terminate upon attaining Medicare eligibility.

Contributions are required for both retiree and dependent coverage. The retiree contributions are based on and equal to the historical full cost of active members. Retiree expenses are then offset by retiree contributions.

The medical/prescription drug coverage is provided through a fully insured plan. Retirees pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit subsidy and an OPEB liability.

**Funding Policy**

The contribution requirements of plan members are established and may be amended by the County. The County currently finances the retiree benefit plan on a pay-as-you-go basis.

**Annual OPEB Cost and Net OPEB Obligation**

The County's annual OPEB cost is calculated based on the annual required contribution (ARC) of the County, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the County's annual OPEB cost for the year ended June 30, 2016, the amount actually contributed to the plan and changes in the County's net OPEB obligation:

Annual required contribution .....	\$ 38,382
Interest on net OPEB obligation .....	
Adjustment to annual required contribution .....	<u>15</u>
Annual OPEB cost	38,397
Net contributions .....	<u>(29,256)</u>
Increase in net OPEB obligation	9,141
Net OPEB obligation beginning of year .....	<u>58,053</u>
Net OPEB obligation - end of year	<u>\$ 67,194</u>



EMMET COUNTY  
NOTES TO FINANCIAL STATEMENTS - Continued

**8. OTHER POST-EMPLOYMENT BENEFITS (OPEB) - Continued**

**Annual OPEB Cost and Net OPEB Obligation - Continued**

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2016.

For the year ended June 30, 2016, plan members eligible for benefits contributed \$29,256 or 100% of the premium costs.

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation are summarized as follows:

<u>Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
June 30, 2014	27,885	68%	\$49,213
June 30, 2015	27,885	68%	58,053
June 30, 2016	38,382	76%	67,194

**Funded Status and Funding Progress**

As of July 1, 2015, the most recent actuarial valuation date for the period July 1, 2015 through June 30, 2016, the actuarial accrued liability was \$299,000 with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$299,000. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$3,673,000 and the ratio of the UAAL to covered payroll was 8.13%. As of June 30, 2016, there were no trust fund assets.

**Actuarial Methods and Assumptions**

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress for the Retiree Health Plan, presented as Required Supplementary Information in the section following the Notes to Financial Statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

EMMET COUNTY  
NOTES TO FINANCIAL STATEMENTS - Continued

**8. OTHER POST-EMPLOYMENT BENEFITS (OPEB) - Continued**

**Actuarial Methods and Assumptions - Continued**

As of the July 1, 2015 actuarial valuation date, the unit credit actuarial cost method was used. The actuarial assumptions include a 4% discount rate based on the County's funding policy. The projected annual medical trend rate ranges from 5 - 9%. The ultimate medical trend rate is 5%. The medical trend rate is reduced 0.5% each year until reaching the 5% ultimate trend rate.

Mortality rates are from the RPH-2015 Total Dataset Mortality Table. Annual retirement and termination probabilities were developed by the County with the concurrence of the actuary. The salary increase rate was assumed to be 3% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

**9. OPERATING LEASES**

The County has entered into a noncancelable agreement to lease office space. The lease requires monthly lease payments of \$1,742 and expires in September 2019. The County has also entered into operating lease agreements for office equipment. The leases require monthly lease payments ranging from \$97 to \$703 and expire from May 2017 to March 2021.

The following is a schedule of the future minimum lease payments under these agreements at June 30, 2016:

<u>June 30,</u>	<u>Amount</u>
2017 .....	\$ 33,348
2018 .....	29,429
2019 .....	29,429
2020 .....	14,616
2021 .....	<u>5,064</u>
TOTAL	<u>\$111,886</u>

Total rent expense for the year ended June 30, 2016 was \$32,462.

**10. RISK MANAGEMENT**

Emmet County is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The County assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

EMMET COUNTY  
NOTES TO FINANCIAL STATEMENTS - Continued

**11. COMMITMENTS**

The County has entered into contracts totaling approximately \$2,700,000 for traffic markings, spraying, resurfacing, and sealing. As of June 30, 2016, \$400,000 of the costs have been incurred. The balance remaining on the contract of approximately \$2,300,000 will be paid, primarily from the State of Iowa Farm to Market Fund, as work on the projects progresses.

The County has entered into a five-year contract for ambulance service at a cost ranging from \$26,000 to \$28,000 per year. The contract ends with the June 30, 2019 fiscal year.

**12. EMMET COUNTY FINANCIAL INFORMATION INCLUDED IN COUNTY SOCIAL SERVICES**

County Social Services, a jointly governed organization formed pursuant to the provisions of Chapter 28E of the Code of Iowa which became effective July 10, 2014, includes the following member counties: Allamakee, Black Hawk, Butler, Cerro Gordo, Chickasaw, Clayton, Fayette, Floyd, Grundy, Hancock, Howard, Humboldt, Kossuth, Mitchell, Pocahontas, Tama, Webster, Winnebago, Winneshiek, Worth, Wright, and Emmet County. The financial activity of Emmet County's Special Revenue, Mental Health Fund is included in County Social Services for the year ended June 30, 2016 as follows:

Revenues:

Property and other county tax .....	\$ 346,129
Intergovernmental revenues .....	43,981
Miscellaneous .....	<u>2,041</u>
Total Revenues .....	<u>392,151</u>

Expenditures:

General administration:	
Direct administration .....	58,399
Distribution to regional fiscal agent .....	<u>371,651</u>
Total Expenditures .....	<u>430,050</u>

Deficiency of revenues under expenditures .....	(37,899)
Fund balance - beginning of the year .....	<u>320,805</u>
FUND BALANCE - END OF YEAR .....	<u>\$ 282,906</u>

## **REQUIRED SUPPLEMENTARY INFORMATION**

EMMET COUNTY  
BUDGETARY COMPARISON SCHEDULE OF  
RECEIPTS, DISBURSEMENTS AND CHANGES IN BALANCES -  
BUDGET AND ACTUAL (CASH BASIS) - ALL GOVERNMENTAL FUNDS  
REQUIRED SUPPLEMENTARY INFORMATION  
YEAR ENDED JUNE 30, 2016

	<u>Actual</u>	Less Funds not Required to be <u>Budgeted</u>
RECEIPTS:		
Property and other county tax .....	\$4,582,902	
Interest and penalty on property tax .....	21,152	
Intergovernmental .....	3,283,411	
Licenses and permits .....	13,040	
Charges for service .....	329,793	
Use of money and property .....	24,099	
Miscellaneous .....	<u>692,237</u>	<u>\$343,143</u>
TOTAL RECEIPTS	<u>8,946,634</u>	<u>343,143</u>
DISBURSEMENTS:		
Public safety and legal services .....	1,754,283	
Physical health and social services .....	768,014	
Mental health .....	429,899	
County environment and education .....	671,205	262,386
Roads and transportation .....	2,780,807	
Governmental services to residents .....	442,088	
Administration .....	1,026,182	
Nonprogram .....	10,000	
Capital projects .....	<u>21,624</u>	
TOTAL DISBURSEMENTS	<u>7,904,102</u>	<u>262,386</u>
EXCESS (DEFICIENCY) OF RECEIPTS OVER (UNDER) DISBURSEMENTS	1,042,532	80,757
BALANCE - BEGINNING OF YEAR .....	<u>4,955,096</u>	<u>(59,628)</u>
BALANCE - END OF YEAR	<u>\$5,997,628</u>	<u>\$ 21,129</u>

Net	Budgeted Amounts		Final to Net Variance - Positive - (Negative)
	Original	Final	
\$4,582,902	\$4,665,722	\$4,665,722	\$ (82,820)
21,152	21,150	21,150	2
3,283,411	3,020,778	3,020,778	262,633
13,040	13,500	13,500	(460)
329,793	312,802	312,802	16,991
24,099	20,846	20,846	3,253
<u>349,094</u>	<u>168,615</u>	<u>252,415</u>	<u>96,679</u>
<u>8,603,491</u>	<u>8,223,413</u>	<u>8,307,213</u>	<u>296,278</u>
1,754,283	1,826,576	1,856,076	101,793
768,014	963,705	963,705	195,691
429,899	704,652	704,652	274,753
408,819	506,583	511,583	102,764
2,780,807	3,122,532	3,343,259	562,452
442,088	485,655	485,655	43,567
1,026,182	1,396,173	1,396,173	369,991
10,000			(10,000)
<u>21,624</u>	<u>22,002</u>	<u>22,002</u>	<u>378</u>
<u>7,641,716</u>	<u>9,027,878</u>	<u>9,283,105</u>	<u>1,641,389</u>
961,775	(804,465)	(975,892)	<u>\$1,937,667</u>
<u>5,014,724</u>	<u>4,096,521</u>	<u>4,096,521</u>	
<u>\$5,976,499</u>	<u>\$3,292,056</u>	<u>\$3,120,629</u>	

EMMET COUNTY  
BUDGETARY COMPARISON SCHEDULE - BUDGET TO GAAP RECONCILIATION  
REQUIRED SUPPLEMENTARY INFORMATION  
YEAR ENDED JUNE 30, 2016

	<u>Governmental Funds</u>		
	<u>Cash Basis</u>	<u>Accrual Adjustments</u>	<u>Modified Accrual Basis</u>
Revenues .....	\$8,946,634	\$ (58,501)	\$8,888,133
Expenditures .....	<u>7,904,102</u>	<u>135,849</u>	<u>8,039,951</u>
Net	1,042,532	(194,350)	848,182
Beginning fund balances .....	<u>4,955,096</u>	<u>728,878</u>	<u>5,683,974</u>
ENDING FUND BALANCE	<u>\$5,997,628</u>	<u>\$ 534,528</u>	<u>\$6,532,156</u>

EMMET COUNTY  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING  
JUNE 30, 2016

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the County Board of Supervisors annually adopts a budget on the cash basis following required public notice and hearing for all funds, except blended component units and agency funds, and appropriates the amount deemed necessary for each of the different County offices and departments. The budget may be amended during the year utilizing similar statutorily prescribed procedures. Encumbrances are not recognized on the cash basis budget and appropriations lapse at year end.

Formal and legal budgetary control is based upon 10 major classes of expenditures known as functions, not by fund. These 10 functions are: public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration, non-program, debt service and capital projects. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, and Capital Projects Fund. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. Legal budgetary control is also based upon the appropriation to each office or department. During the year, two budget amendments increased budgeted disbursements by \$255,227. The budget amendments are reflected in the final budgeted amounts.

In addition, annual budgets are similarly adopted in accordance with the Code of Iowa by the appropriate governing body as indicated: for the County Extension Office by the County Agricultural Extension Council, for the County Assessor by the County Conference Board, for the E911 System by the Joint E911 Service Board and for Emergency Management Services by the County Emergency Management Commission.

During the year ended June 30, 2016, disbursements exceeded the amount budgeted in the non-program function.



EMMET COUNTY  
SCHEDULE OF THE COUNTY'S PROPORTIONATE SHARE  
OF THE NET PENSION LIABILITY

IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM  
LAST FISCAL YEAR\*  
(In Thousands)

REQUIRED SUPPLEMENTARY INFORMATION

	<u>2016</u>	<u>2015</u>
County's proportion of the net pension liability .....	0.0375048%	0.0366379%
County's proportionate share of the net pension liability .....	\$ 1,853	\$ 1,453
County's covered-employee payroll .....	\$ 3,214	\$ 3,196
County's proportionate share of the net pension liability as a percentage of its covered-employee payroll .....	57.65%	45.46%
Plan fiduciary net position as a percentage of the total pension liability .....	85.19%	87.61%

\* In accordance with GASB Statement No. 68, the amounts presented for each fiscal year were determined as of June 30 of the preceding fiscal year.

EMMET COUNTY

SCHEDULE OF COUNTY CONTRIBUTIONS

IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM  
LAST TEN FISCAL YEARS  
(In Thousands)

REQUIRED SUPPLEMENTARY INFORMATION

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Statutorily required contributions .....	\$ 312	\$ 306	\$ 302	\$ 285
Contributions in relation to the statutorily required contribution .....	<u>(312)</u>	<u>(306)</u>	<u>(302)</u>	<u>(285)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
County's covered-employee payroll ....	\$ 3,673	\$ 3,214	\$ 3,196	\$ 3,076
Contributions as a percentage of covered-employee payroll .....	8.49%	9.52%	9.45%	9.27%

<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
\$ 260	\$ 226	\$ 219	\$ 203	\$ 183	\$ 172
<u>(260)</u>	<u>(226)</u>	<u>(219)</u>	<u>(203)</u>	<u>(183)</u>	<u>(172)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 2,975	\$ 2,953	\$ 2,946	\$ 2,938	\$ 2,790	\$ 2,686
8.74%	7.65%	7.43%	6.91%	6.56%	6.40%

EMMET COUNTY  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - PENSION LIABILITY  
YEAR ENDED JUNE 30, 2016

Changes of Benefit Terms:

Legislation passed in 2010 modified benefit terms for Regular members. The definition of final average salary changed from the highest three to the highest five years of covered wages. The vesting requirement changed from four years of service to seven years. The early retirement reduction increased from 3 percent per year measured from the member's first unreduced retirement age to 6 percent reduction for each year of retirement before age 65.

Legislative action in 2008 transferred four groups - emergency medical service providers, county jailers, county attorney investigators, and National Guard installation security officers - from Regular membership to the protection occupation group for future service only.

Changes of Assumptions:

The 2014 valuation implemented the following refinements as a result of a quadrennial experience study:

- Decreased the inflation assumption from 3.25 percent to 3.00 percent.
- Decreased the assumed rate of interest on member accounts from 4.00 percent to 3.75 percent per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Reduced retirement rates for sheriffs and deputies between the ages of 55 and 64.
- Moved from an open 30-year amortization period to a closed 30-year amortization period for the UAL beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20-year period.

The 2010 valuation implemented the following refinements as a result of quadrennial experience study:

- Adjusted retiree mortality assumptions.
- Modified retirement rates to reflect fewer retirements.
- Lowered disability rates at most ages.
- Lowered employment termination rates.
- Generally increased the probability of terminating members receiving a deferred retirement benefit.
- Modified salary increase assumptions based on various service duration.

The 2007 valuation adjusted the application of the entry age normal cost method to better match projected contributions to the projected salary stream in the future years. It also included the one-year lag between the valuation date and the effective date of the annual actuarial contribution rate in the calculation of the UAL amortization payments.

EMMET COUNTY  
SCHEDULE OF FUNDING PROGRESS FOR THE RETIREE HEALTH PLAN  
(In Thousands)

Required Supplementary Information

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
2010	July 1, 2009	-	\$256	\$256	0.00%	\$2,946	8.69%
2011	July 1, 2009	-	256	256	0.00	2,953	8.67
2012	July 1, 2009	-	256	256	0.00	2,975	8.61
2013	July 1, 2012	-	263	263	0.00	3,076	8.55
2014	July 1, 2012	-	263	263	0.00	3,196	8.23
2015	July 1, 2012	-	263	263	0.00	3,214	8.18
2016	July 1, 2015	-	299	299	0.00	3,673	8.13

See Note 8 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB Cost and Net OPEB Obligation, funded status, and funding progress.

## **SUPPLEMENTARY INFORMATION**

EMMET COUNTY  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2016

ASSETS

	<u>Special Revenue</u>		
	<u>Resource Enhancement and Protection</u>	<u>Recorder's Records Management</u>	<u>Revolving Loan</u>
Cash and pooled investments (deficit) .....	\$ 37,139	\$ 9,091	\$127,728
Receivables:			
Accounts .....			
Accrued interest .....	2		
Due from other governments .....	_____	_____1	_____
 TOTAL ASSETS	 <u>\$ 37,141</u>	 <u>\$ 9,092</u>	 <u>\$127,728</u>

FUND BALANCES

FUND BALANCES:			
Restricted (unassigned) .....	<u>\$ 37,141</u>	<u>\$ 9,092</u>	<u>\$127,728</u>
 TOTAL FUND BALANCES	 <u>\$ 37,141</u>	 <u>\$ 9,092</u>	 <u>\$127,728</u>

## Schedule 1

		<u>Capital Projects</u>	
		Conservation Land Acquisition Trust	Total
<u>Local Option Sales Tax</u>	<u>Drainage Districts</u>		
\$784,817	\$ 21,129	\$ 14,865	\$ 994,769
		109	109
			2
<u>27,228</u>	<u>          </u>	<u>          </u>	<u>27,229</u>
<u>\$812,045</u>	<u>\$ 21,129</u>	<u>\$ 14,974</u>	<u>\$1,022,109</u>
<u>\$812,045</u>	<u>\$ 21,129</u>	<u>\$ 14,974</u>	<u>\$1,022,109</u>
<u>\$812,045</u>	<u>\$ 21,129</u>	<u>\$ 14,974</u>	<u>\$1,022,109</u>



EMMET COUNTY  
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2016

	<u>Special Revenue</u>		
	<u>Resource Enhancement and Protection</u>	<u>Recorder's Records Management</u>	<u>Revolving Loan</u>
REVENUES:			
Local option sales tax .....			
Intergovernmental .....	\$ 12,866		
Charges for service .....		\$ 1,287	
Use of money and property .....	18	7	
Miscellaneous .....			
TOTAL REVENUES	<u>12,884</u>	<u>1,294</u>	<u>          </u>
EXPENDITURES:			
Operating:			
County environment and education .....	6,368		
Government services to residents .....		3,972	
Administration .....			
Non-program .....			
TOTAL EXPENDITURES	<u>6,368</u>	<u>3,972</u>	<u>          </u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>6,516</u>	<u>(2,678)</u>	<u>          </u>
OTHER FINANCING USES:			
Operating transfers in .....			
TOTAL OTHER FINANCING USES	<u>          </u>	<u>          </u>	<u>          </u>
CHANGE IN FUND BALANCE	6,516	(2,678)	
FUND BALANCES - BEGINNING OF YEAR	<u>30,625</u>	<u>11,770</u>	<u>\$127,728</u>
FUND BALANCES - END OF YEAR	<u>\$ 37,141</u>	<u>\$ 9,092</u>	<u>\$127,728</u>

## Schedule 2

		<u>Capital Projects</u>	
		Conservation	
		Land	
Local	Drainage	Acquisition	
Option	Districts	Trust	Total
Sales Tax			
\$156,519			\$ 156,519
			12,866
			1,287
		\$ 7	32
	<u>\$343,143</u>	<u>10,586</u>	<u>353,729</u>
<u>156,519</u>	<u>343,143</u>	<u>10,593</u>	<u>524,433</u>
	262,386		268,754
			3,972
37,633			37,633
		<u>10,000</u>	<u>10,000</u>
<u>37,633</u>	<u>262,386</u>	<u>10,000</u>	<u>320,359</u>
<u>118,886</u>	<u>80,757</u>	<u>593</u>	<u>204,074</u>
		<u>6,350</u>	<u>6,350</u>
		<u>6,350</u>	<u>6,350</u>
118,886	80,757	6,943	210,424
<u>693,159</u>	<u>(59,628)</u>	<u>8,031</u>	<u>811,685</u>
<u>\$812,045</u>	<u>\$ 21,129</u>	<u>\$ 14,974</u>	<u>\$1,022,109</u>

EMMET COUNTY  
COMBINING SCHEDULE OF FIDUCIARY ASSETS AND LIABILITIES  
AGENCY FUNDS  
JUNE 30, 2016

	<u>County Offices</u>	<u>Agricultural Extension Education</u>	<u>County Assessor</u>
<b>ASSETS</b>			
Cash and pooled investments:			
County Treasurer .....		\$ 1,241	\$155,569
Other County officials .....	\$ 33,060		
Accounts receivable .....			
Property tax receivable:			
Succeeding year .....	<u>          </u>	<u>162,134</u>	<u>315,745</u>
 TOTAL ASSETS	 <u>\$ 33,060</u>	 <u>\$163,375</u>	 <u>\$471,314</u>
 <b>LIABILITIES</b>			
Due to other governments .....		\$163,375	\$471,314
Trusts payable .....	<u>\$ 33,060</u>	<u>          </u>	<u>          </u>
 TOTAL LIABILITIES	 <u>\$ 33,060</u>	 <u>\$163,375</u>	 <u>\$471,314</u>

Agency Funds					
<u>Schools</u>	<u>Community Colleges</u>	<u>Corporations</u>	<u>Townships and Fire Districts</u>	<u>Auto License and Use Tax</u>	<u>E-911 Surcharge</u>
\$ 60,963	\$ 4,098	\$ 20,182	\$ 1,712	\$257,429	\$340,960
					24,829
<u>7,618,589</u>	<u>520,698</u>	<u>3,101,773</u>	<u>213,527</u>	<u>          </u>	<u>          </u>
<u>\$7,679,552</u>	<u>\$524,796</u>	<u>\$3,121,955</u>	<u>\$215,239</u>	<u>\$257,429</u>	<u>\$365,789</u>
 \$7,679,552	 \$524,796	 \$3,121,955	 \$215,239	 \$257,429	 \$365,789
<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<u>\$7,679,552</u>	<u>\$524,796</u>	<u>\$3,121,955</u>	<u>\$215,239</u>	<u>\$257,429</u>	<u>\$365,789</u>

EMMET COUNTY Schedule 3  
 COMBINING SCHEDULE OF FIDUCIARY ASSETS AND LIABILITIES - Continued  
 AGENCY FUNDS  
 JUNE 30, 2016

	<u>Agency Funds</u>	
	<u>Other</u>	<u>Total</u>
ASSETS		
Cash and pooled investments:		
County Treasurer .....	\$139,764	\$ 981,918
Other County officials .....		33,060
Accounts receivable .....		24,829
Property tax receivable:		
Succeeding year .....	<u>1,783</u>	<u>11,934,249</u>
 TOTAL ASSETS	 <u>\$141,547</u>	 <u>\$12,974,056</u>
LIABILITIES		
Due to other governments .....	\$141,547	\$12,940,996
Trusts payable .....	<u>          </u>	<u>33,060</u>
 TOTAL LIABILITIES	 <u>\$141,547</u>	 <u>\$12,974,056</u>

EMMET COUNTY  
 COMBINING SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES  
 AGENCY FUNDS  
 YEAR ENDED JUNE 30, 2016

	<u>County Offices</u>	<u>Agricultural Extension Education</u>	<u>County Assessor</u>
BALANCE - BEGINNING OF YEAR .....	\$ 30,938	\$155,754	\$432,480
ADDITIONS:			
Property and other county tax .....		153,588	288,587
911 surcharge .....			
State tax credits .....		13,634	26,060
Office fees and collections .....	360,010		11,245
Auto licenses, use tax, and postage .....			
Trusts .....	171,407		
Miscellaneous .....			
TOTAL ADDITIONS	<u>531,417</u>	<u>167,222</u>	<u>325,892</u>
DEDUCTIONS:			
Agency Remittances:			
To other funds .....	178,705		
To other governments .....	181,854	159,601	287,058
Trusts paid out .....	<u>168,736</u>		
TOTAL DEDUCTIONS	<u>529,295</u>	<u>159,601</u>	<u>287,058</u>
 BALANCE - END OF YEAR	 <u>\$ 33,060</u>	 <u>\$163,375</u>	 <u>\$471,314</u>

Agency Funds					
<u>Schools</u>	<u>Community Colleges</u>	<u>Corporations</u>	<u>Townships and Fire Districts</u>	<u>Auto License and Use Tax</u>	<u>E-911 Surcharge</u>
<u>\$7,296,907</u>	<u>\$512,893</u>	<u>\$2,959,331</u>	<u>\$208,142</u>	<u>\$ 262,227</u>	<u>\$317,986</u>
7,182,989	492,478	2,806,496	206,427		180,877
681,898	45,022	452,966	12,116		
				3,044,934	
<u>7,864,887</u>	<u>537,500</u>	<u>3,259,462</u>	<u>218,543</u>	<u>3,044,934</u>	<u>180,877</u>
7,482,242	525,597	3,096,838	211,446	113,944 2,935,788	133,074
<u>7,482,242</u>	<u>525,597</u>	<u>3,096,838</u>	<u>211,446</u>	<u>3,049,732</u>	<u>133,074</u>
<u>\$7,679,552</u>	<u>\$524,796</u>	<u>\$3,121,955</u>	<u>\$215,239</u>	<u>\$ 257,429</u>	<u>\$365,789</u>

EMMET COUNTY Schedule 4  
 COMBINING SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES -  
 Continued  
 AGENCY FUNDS  
 YEAR ENDED JUNE 30, 2016

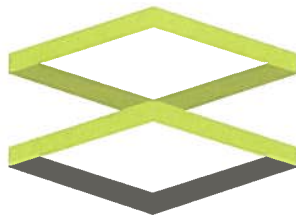
	<u>Agency Funds</u>	
	<u>Other</u>	<u>Total</u>
BALANCE - BEGINNING OF YEAR .....	<u>\$124,799</u>	<u>\$12,301,457</u>
ADDITIONS:		
Property and other County tax .....	159,059	11,289,624
911 surcharge .....		180,877
State tax credits .....	234	1,231,930
Office fees and collections .....	51,037	422,292
Auto licenses, use tax, and postage .....		3,044,934
Trusts .....		171,407
Miscellaneous .....	<u>83,533</u>	<u>83,533</u>
TOTAL ADDITIONS	<u>293,863</u>	<u>16,424,597</u>
DEDUCTIONS:		
Agency Remittances:		
To other funds .....		292,649
To other governments .....	277,115	15,290,613
Trusts paid out .....		<u>168,736</u>
TOTAL DEDUCTIONS	<u>277,115</u>	<u>15,751,998</u>
BALANCE - END OF YEAR	<u>\$141,547</u>	<u>\$12,974,056</u>



EMMET COUNTY  
SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION  
ALL GOVERNMENTAL FUNDS  
FOR THE LAST TEN YEARS

	Modified Accrual Basis			
	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
REVENUES:				
Property and other County tax .....	\$4,583,492	\$4,689,906	\$4,600,701	\$4,529,673
Interest and penalty on property tax ....	20,317	18,565	24,612	25,395
Intergovernmental .....	3,220,225	3,119,829	2,846,172	2,868,321
Licenses and permits .....	13,495	10,270	11,527	8,565
Charges for service .....	341,726	291,704	321,526	339,073
Use of money and property .....	24,251	21,838	20,806	21,703
Miscellaneous .....	<u>684,627</u>	<u>483,928</u>	<u>444,737</u>	<u>462,191</u>
TOTAL	<u>\$8,888,133</u>	<u>\$8,636,040</u>	<u>\$8,270,081</u>	<u>\$8,254,921</u>
EXPENDITURES:				
Operating:				
Public safety and legal services .....	\$1,753,919	\$1,693,564	\$1,651,929	\$1,641,590
Physical health and social services ..	777,386	651,530	644,970	626,265
Mental health .....	430,050	957,249	634,874	900,016
County environment and education .	675,876	641,234	619,599	561,407
Roads and transportation .....	2,929,786	2,567,934	2,793,760	2,958,427
Governmental services to residents .	442,045	419,891	425,024	400,808
Administration .....	1,000,593	948,487	907,650	885,174
Non-program .....	10,000			
Capital projects .....	<u>20,296</u>	<u>12,360</u>	<u>294,786</u>	<u>34,476</u>
TOTAL	<u>\$8,039,951</u>	<u>\$7,892,249</u>	<u>\$7,972,592</u>	<u>\$8,008,163</u>

<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
\$4,423,683	\$4,279,484	\$3,897,024	\$3,679,884	\$3,517,727	\$3,476,195
25,613	32,648	32,217	25,894	25,731	26,047
3,550,771	3,441,158	3,095,959	3,259,908	2,960,182	3,148,746
10,075	13,650	10,150	9,192	23,820	5,576
315,265	302,258	281,190	308,701	285,189	280,508
23,248	29,277	48,544	75,500	163,614	198,360
<u>526,638</u>	<u>903,241</u>	<u>352,697</u>	<u>242,751</u>	<u>359,884</u>	<u>830,317</u>
<u>\$8,875,293</u>	<u>\$9,001,716</u>	<u>\$7,717,781</u>	<u>\$7,601,830</u>	<u>\$7,336,147</u>	<u>\$7,965,749</u>
\$1,521,709	\$1,489,245	\$1,445,010	\$1,383,851	\$1,355,444	\$1,277,329
613,856	626,036	665,466	636,458	596,304	562,101
1,762,215	1,532,469	1,440,049	1,489,962	1,592,167	1,677,114
675,901	974,509	497,003	475,048	700,867	621,669
2,630,293	2,655,551	2,158,249	2,535,537	2,119,781	2,051,865
385,298	361,274	361,461	362,959	345,869	331,946
895,348	940,067	808,468	850,528	895,731	787,935
					24,095
<u>22,557</u>	<u>41,714</u>	<u>34,986</u>	<u>69,980</u>	<u>416,104</u>	<u>32,812</u>
<u>\$8,507,177</u>	<u>\$8,620,865</u>	<u>\$7,410,692</u>	<u>\$7,804,323</u>	<u>\$8,022,267</u>	<u>\$7,366,866</u>



**WINTER STAVE & CO | LLP**  
Certified Public Accountants

1316 West 18th Street  
P.O. Box 175  
Spencer, Iowa 51301-0175  
Phone 712-262-3117  
FAX 712-262-3159

[www.winther-stave.com](http://www.winther-stave.com)

1004 21st Street #4  
P.O. Box 187  
Milford, Iowa 51351-0187  
Phone 712-338-2488  
FAX 712-338-2510

---

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL  
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE  
WITH GOVERNMENT AUDITING STANDARDS**

To the Officials of Emmet County:

We have audited in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Emmet County, Iowa, as of and for the year ended June 30, 2016, and the related notes to financial statements, which collectively comprise the County's basic financial statements and have issued our report thereon dated November 23, 2016.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Emmet County's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Emmet County's internal control. Accordingly, we do not express an opinion on the effectiveness of Emmet County's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings, we identified a certain deficiency in internal control we consider to be a material weakness and another deficiency we consider to be a significant deficiency.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the County's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency described in Part I of the accompanying Schedule of Findings as item I-A-16 to be a material weakness.

A significant deficiency is a deficiency, or combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in Part I of the accompanying Schedule of Findings as item I-B-16 to be a significant deficiency.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Emmet County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance or other matters that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the County's operations for the year ended June 30, 2016 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the County. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

### **Emmet County's Responses to Findings**

The County's responses to findings identified in our audit are described in the accompanying Schedule of Findings. The County's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing and not to provide an opinion on the effectiveness of the County's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Emmet County during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

*Winter, Starn & Co., LLA*

November 23, 2016  
Spencer, Iowa

EMMET COUNTY  
SCHEDULE OF FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2016

**Part I: Findings Related to the Financial Statements**

**Internal Control Deficiencies:**

I-A-16 Segregation of Duties - One significant aspect of internal accounting control is the adequate segregation of duties among employees in order to minimize an individual employee or official from handling duties which are incompatible. The segregation of duties helps to prevent losses from unintentional employee errors or dishonesty and improves the reliability and accuracy of the County's financial statements. We noted that in each of the offices of County officials there were several accounting functions that were being performed by the same person.

Recommendation - We recognize that with a limited number of office employees segregation of duties is difficult. However, accounting controls may be improved by having certain procedures performed by only one person for a given period of time and then rotating the responsibilities for a control function sometime during the year. In some instances, the County official should consider delegating certain responsibilities to deputies and provide the main supervision and review function themselves. In all instances where it is not possible to segregate duties, it is important to increase the review of that work by supervisory personnel.

Response - We will continue to segregate duties the best we can with the limited number of personnel we have.

Conclusion - Response accepted.

I-B-16 Sheriff's Office Accounts - During our audit, we noted the Sheriff's office maintains separate financial institution accounts for drug investigations, DARE, canine, and posse. These accounts are maintained and controlled by the Sheriff but have minimal activity. In addition, the activity in these accounts is not reported to or approved by the Board of Supervisors. We also noted several of the accounts had only one authorized check signer.

Recommendation - We recommend these four accounts be closed and remitted to the County Treasurer to maintain on behalf of the Sheriff's Office. However, if the accounts remain open, we recommend that a second person be added as authorized signer.

Response - We will discuss with the County Sheriff closing these accounts and remitting the funds to the County Treasurer. If not done, we will ask that activity in these accounts be reported to the Board of Supervisors for approval and that a second authorized signer be added for applicable accounts.

Conclusion - Response accepted.

EMMET COUNTY  
SCHEDULE OF FINDINGS - Continued  
FOR THE YEAR ENDED JUNE 30, 2016

**Part I: Findings Related to the Financial Statements** - Continued

**Instances of Non-compliance:**

No matters were noted.

EMMET COUNTY  
SCHEDULE OF FINDINGS - Continued  
FOR THE YEAR ENDED JUNE 30, 2016

**Part II: Other Findings Related to Required Statutory Reporting**

- II-A-16 Certified Budget - Disbursements during the year ended June 30, 2016 exceeded the amounts budgeted in the non-program function.

Recommendation - The budget should have been amended in accordance with Chapter 331.435 of the Code of Iowa before disbursements were allowed to exceed the budget.

Chapter 331.434(6) of the Code of Iowa authorizes the Board of Supervisors, by resolution, to increase or decrease appropriations of one office or department by increasing or decreasing the appropriation of another office or department as long as the function budget is not increased. Such increases or decreases should be made before disbursements are allowed to exceed the appropriation.

Response - We will amend the budget when required and appropriations will be watched more closely by the departments.

Conclusion - Response accepted.

- II-B-16 Questionable Expenditures - No expenditures that we believe may not meet the requirement of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.

- II-C-16 Travel Expense - No expenditures of County money for travel expenses of spouses of County officials or employees were noted.

- II-D-16 Business Transactions - Business transactions between the County and County officials or employees are detailed as follows:

<u>Name, Title, and Business Connection</u>	<u>Description</u>	<u>Amount</u>
Steve Erickson, husband of former Auditor Michele Erickson, independent contractor	Election official	\$ 15
Jim Anderson, spouse of employee Colleen Anderson, independent contractor	Snow removal	\$ 1,095
Janae Howing, daughter of employee Michelle Howing, independent contractor	Matron fees	\$ 1,470
Laurie Gineris, wife of former jailer Bill Gineris, independent contractor	Matron fees	\$ 127

In accordance with Chapter 331.342(10) of the Code of Iowa, the transactions do not appear to represent a conflict of interest since total transactions with each individual were less than \$1,500 during the fiscal year.

EMMET COUNTY  
SCHEDULE OF FINDINGS - Continued  
FOR THE YEAR ENDED JUNE 30, 2016

**Part II: Other Findings Related to Required Statutory Reporting** - Continued

- II-E-16 Bond Coverage - Surety bond coverage of County officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure that coverage is adequate for current operations.
- II-F-16 Board Minutes - No transactions were found that we believe should have been approved in the Board minutes but were not.
- II-G-16 Deposits and Investments - No instances of noncompliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the County's investment policy were noted.
- II-H-16 Resource Enhancement and Protection Certification - The County properly dedicated property tax revenue to conservation purposes as required by Chapter 455A.19(1)(b) of the Code of Iowa in order to receive the additional REAP funds allocated in accordance with subsections (b)(2) and (b)(3).
- II-I-16 County Extension Office - The County Extension Office is operated under the authority of Chapter 176A of the Code of Iowa and serves as an agency of the State of Iowa. This fund is administered by an Extension Council separate and distinct from County operations and, consequently, is not included in the government-wide financial statements.
- Disbursements during the year ended June 30, 2016 for the County Extension Office did not exceed the amount budgeted.
- II-J-16 Tax Increment Financing (TIF) - For the year ended June 30, 2016, the County Auditor prepared a reconciliation for each City reconciling TIF receipts with total outstanding TIF debt.